

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY
MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
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Department of Mental Health, Retardation and Hospitals
Northern Rhode Island Community Mental Health Center, Inc.

REPORT ON CONTRACT COMPLIANCE

For the Fiscal Years Ended June 30, 1999 and 1998

EXECUTIVE SUMMARY

The prior audit report for Northern Rhode Island Community Mental Health Center, Inc., issued November 29, 1999 by the Bureau of Audits, had no significant recommendations.

Based on our contract compliance engagement for the fiscal years ended June 30, 1999 and 1998 we determined the following:

1. There were unauthorized excessive budget line item variances in the Community Support and Related Services Program.
2. Excessive rent was charged to a residential client resulting in noncompliance with a provision in the Community Support, Residential and Acute Alternatives Contract.
3. Nonmatchable 1998 revenue was submitted to MHRH for matching in 2000.
4. A deficiency was noted with the management of Representative Payee client funds.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

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August 17, 2001

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, R.I. 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Northern Rhode Island Community Mental Health Center, Inc., for the fiscal years ended June 30, 1999 and 1998.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and to the Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of MHRH and the Director and staff members of Northern Rhode Island Community Mental Health Center, Inc., for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 and 1998

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable revenue used as the basis for funding fiscal years 2001 and 2000;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adult services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Northern Rhode Island Community Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's Administrative Offices are located at 515 Social Street, Woonsocket, Rhode Island.

The Center is governed by a board of Directors consisting of not more than 21 nor less than 15 individuals elected annually.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

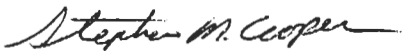
We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Northern Rhode Island Community Mental Health Center, Inc. (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Integrated Mental Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1999 and 1998, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of excess funding by MHRH for the fiscal year ended June 30, 1999, as well as instances of noncompliance with provisions contained in the financial terms and conditions with the contracts stated above. In addition, deficiencies were noted with the management of client funds. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
December 22, 2000

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1999

	Community Support Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Program	Total
<u>Revenues</u>					
MHRH	\$ 1,295,788	146,317	-	-	1,442,105
DCYF	-	-	392,532	-	392,532
Other Sources	592,860	954	101,282	-	695,096
Title XIX Medicaid	-	-	-	4,930,854	4,930,854
Municipalities	-	-	709,108	-	709,108
Thired Party Reimbursements	124,741	46,396	91,718	-	262,855
Rent	97,071	-	28,558	-	125,629
Program Fees	47,309	7,234	195,920	-	250,463
Contributions	-	53,706	6,560	-	60,266
Interest	16,949	-	-	-	16,949
Miscellaneous	29,359	7,120	29,479	-	65,958
Total Revenues	\$ 2,204,077	261,727	1,555,157	4,930,854	8,951,815
<u>Expenses</u>					
Personnel	3,876,802	154,603	2,104,827	-	6,136,232
Operating	1,578,428	59,674	853,198	-	2,491,300
Purchased Equipment	76,414	-	-	-	76,414
Total Expenses	5,531,644	214,277	2,958,025	-	8,703,946
<u>Other Financial Sources (Uses)</u>					
Interfund Transfer	3,538,742	186,716	1,205,396	(4,930,854)	
Excess (Deficiency) of Revenues Over Expenses	211,175	234,166	(197,472)	-	247,869

See accompanying notes to financial information.

:SP-35a

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1998

	Community Support Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Program	Total
<u>Revenues</u>					
MHRH	\$ 999,036	198,489	-	-	1,197,525
DCYF	-	-	387,746	-	387,746
Other Sources	-	7,940	372,009	-	379,949
Title XIX Medicaid	-	-	-	4,644,142	4,644,142
Municipalities	20,045	-	691,979	-	712,024
Fund Raising & Contributions	-	12,132	36,511	-	48,643
Program Revenue	40,344	11,674	33,804	-	85,822
Rent	85,338	-	-	-	85,338
Third Party Reimbursements	184,192	57,831	109,400	-	351,423
Interest	10,142	-	-	-	10,142
Miscellaneous	55,729	1,498	36,731	-	93,958
Total Revenues	\$ 1,394,826	289,564	1,668,180	4,644,142	7,996,712
<u>Expenses</u>					
Personnel	3,859,956	261,997	1,561,556	-	5,683,509
Operating	1,468,978	47,637	510,052	-	2,026,667
Purchased Equipment	55,288	-	1,352	-	56,640
Total Expenses	\$ 5,384,222	309,634	2,072,960	-	7,766,816
<u>Other Financial Sources (Uses)</u>					
Interfund Transfer	3,585,302	88,284	970,556	(4,644,142)	
Excess (Deficiency) of Revenues Over Expenses	\$ (404,094)	68,214	565,776	-	229,896

See accompanying notes to financial information.

EXHIBIT C

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	1999	1998
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>4,930,854</u>	<u>4,644,142</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	3,538,742	3,585,302
Adult General Outpatient Program	186,716	88,284
Other Programs	<u>1,205,396</u>	<u>970,556</u>
Total Applied	<u>4,930,854</u>	<u>4,644,142</u>
<u>Ending Balance</u>	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

:SP-35c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	<u>1999</u>	<u>1998</u>
<u>State Funds Allocated</u>		
Adult Outpatient Services	164,785	202,177
Community Support, Residential and Acute Alternatives	<u>164,785</u>	<u>202,177</u>
	<u>329,570</u>	<u>404,354</u>
Matchable Revenues-Fiscal Years Ended June 30, 1997 and 1996	<u>633,419</u>	<u>637,268</u>
<u>Determination of Over (Under) Payment of State Funds:</u>		
State Funds Allocated (Note 2)	329,570	404,354
Deduct lesser of:		
(a) Applicable Percentage of Matchable Revenues	329,570	404,354
(b) State Funds Allocated	329,570	404,354
Maximum Support - Lessor of A or B (Note 3)	<u>329,570</u>	<u>404,354</u>
Over (Under) Payment of State Matching Funds	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Northern Rhode Island Community Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lessor of the following:

- A. 52.03% of the matchable revenue for the fiscal year ended June 30, 1997 and 63.451% of the matchable revenue for the fiscal year ended June 30, 1996.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 – Other Programs – Exhibits A and B

These amounts represent funding from sources other than MHRH Division of Behavioral Health Care Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	<u>1999</u>	<u>1998</u>
<u>State of Rhode Island</u>		
Adult Outpatient Program	\$ 146,317	198,489
Community Support, Residential and Acute Alternatives	<u>1,295,788</u>	<u>999,036</u>
Total State Funds Allocated	1,442,105	1,197,525
<u>Matchable Revenues</u>		
Local Communities	692,883	691,979
Contributions	<u>42,554</u>	<u>34,020</u>
Total Matchable Revenues (For Fiscal Years Ended June 30, 2001 and 2000)	735,437	725,999
<u>Nonmatchable Revenues</u>		
Title XIX Program	4,930,854	4,644,142
Rent	97,071	85,338
Program Fees	54,543	52,018
Third Party Fees	171,137	242,023
Other Programs	1,503,719	1,039,525
Interest	<u>16,949</u>	<u>10,142</u>
Total NonMatchable Revenues	<u>6,774,273</u>	<u>6,073,188</u>
Total Revenues (Exhibits A & B, Respectively)	\$ <u><u>8,951,815</u></u>	<u><u>7,996,712</u></u>

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

STATUS OF PRIOR AUDIT RECOMMENDATIONS - JUNE 30, 1997

There were no prior significant audit recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 1999 and 1998 are summarized below:

Revenues Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>1999</u>	<u>1998</u>
Community Support, Residential, and Acute Alternatives	\$ 211,175	\$ (404,094)
Adult General Outpatient	234,166	68,214
Other Programs	<u>(197,472)</u>	<u>565,776</u>
Total Revenues	\$ <u>247,869</u>	\$ <u>229,896</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has total excess revenue in the amount of \$211,175 for the fiscal year ended June 30, 1999. (See Exhibit A)

The Department of MHRH determines the use and disposition of excess revenues.

Excessive budget line item variances occurred in the Community Support, Residential, and Acute Alternatives contracts for the fiscal years ended June 30, 1999 and 1998. Addendum II, Section II-4 of the financial terms and conditions states in part:

"An amendment to the approved budget on file with the Department and included in summary fashion as part of this contract, is required when:

- a.) There is a line item deviation of 10% or \$5,000, whichever is greater...
- b.) "Spending beyond the budget without amendment will result in the disallowance of the added expenditure."

Line items in excess of 10% or \$5,000, whichever is greater is as follows:

<u>Line Item</u>	<u>6/30/99</u>	<u>6/30/98</u>
Provision for Bad Debts	\$ 143,492	97,856
Professional Services	38,678	- 0 -
Utilities	6,292	- 0 -

The Center did not submit line item budget amendment requests relating to the above line items to MHRH as required by the above State contract provisions.

Recommendation

1. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.

It was noted that a residential client was being charged rent in excess 65% for several months.

Provision 13B of the Community Support, Residential and Acute Alternatives for the period audited states:

"It shall be a condition of admission to the residence that residents agree to the following schedule of payments: a. sixty-five percent (65%) of unearned income such as SSI, GPA, etc."

Recommendation

2. MHRH officials should monitor client residential rental charges in accordance with contractual provisions and ensure compliance.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D)

Matchable Revenues were examined for fiscal years ended June 30, 1999 and 1998 and are summarized as follows:

	<u>1999</u>	<u>1998</u>
Municipal Revenues	\$ 1,398,655	\$ 1,251,456
Fund-Raising & Contributions	<u>61,080</u>	<u>54,638</u>
Total Matchable Revenues	\$ <u>1,459,735</u>	\$ <u>1,306,094</u>

Funds received in the fiscal years ended June 30, 1999 and 1998 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2001 and 2000, respectively.

The Center submitted revenue totaling \$735,330 in fiscal year 1998 to be matched in fiscal year 2000, which included \$10,331 of nonmatchable fund raising expenses. It should be noted that the Center exceeded its Matchable revenue target of \$285,000. Had the Center not attained its Matchable revenue target MHRH would have erroneously matched these funds.

Recommendation

3. MHRH officials should closely review revenue submitted for matching purposes prior to any allocations.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period audited the following Division of Behavioral Health Service's contract had a revenue deficiency:

1998 – Community Support, Residential, and Acute Alternatives	\$ (404,094)
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Representative Payee Program

The Center manages, under the policies of the Social Security Administration's Representative Payee Program, Social Security and SSI payments made to more than 100 active clients. Most clients had excessive balances in a consolidated non-interest bearing checking account and should be transferred to an interest bearing account in accordance with Social Security Administration Regulation 00603.020 which states:

"For each beneficiary who has \$150 or more, an interest-bearing account or investment relatively free of risk is recommended."

Recommendation

4. That MHRH officials monitor this program to ensure proper management of Representative Payee funds.

Affiliated Corporations

The Center formed several nonprofit corporations that provide services adjunctive to the center's programs. A listing of the affiliates follows:

Blackstone Valley Mental Health Realty Corporation, Inc.

This corporation was organized in 1988 for the purpose of developing, owning and managing housing for elderly and handicapped persons. It currently owns rental property located at 80 Cass Ave. Woonsocket, RI. Presently the corporation is functioning as a real estate advisory committee to the center's Board of Director's. The Board of Directors of this corporation are appointed by the center's Board of Director's. Members of the Board of Directors of this corporation compose the board membership of Sutherland Apartment, Inc., Sadwin Apartments, Inc., Roland M. Boucher Apartment, Inc., and Leo R. Tanguay Apartments, Inc.

Norimentas, Inc. d/b/a Sutherland Apartment, Inc.

Established in 1984, this corporation owns an 11-unit apartment building created to accommodate a supervised living program operated by the center at 462 East School Street, Woonsocket, R.I. This facility was acquired with proceeds of a federally insured mortgage under Section 202 of the National Housing Act. Rents charged to tenants are subsidized by HUD.

Slater Apartments, Inc. d/b/a Sadwin Apartments, Inc.

This corporation was established in 1984 to develop housing for elderly and handicapped residents of the Northern Rhode Island area. The corporation owns a 33-unit apartment building located at 181 Elm Street, Woonsocket, R.I. and rents to tenants whose rents are subsidized by HUD. This facility was acquired with proceeds of a federally insured mortgage under Section 202 of the National Housing Act.

Roland M. Boucher Apartments, Inc.

This corporation was established in April 1990 to purchase and develop five properties (31 units) to provide housing for chronically mentally ill residents of Northern Rhode Island. This facility was acquired with proceeds of a federally insured mortgage under Section 202, of the National Housing Act. Rents charged to tenants are subsidized by HUD.

Leo R. Tanguay Apartments, Inc.

This corporation was established in 1991 to develop real estate to provide housing for mentally ill residents of Northern Rhode Island. This organization was the successful bidder for a state surplus property in Woonsocket, R.I. Renovation of the facility into an eight-unit apartment building was funded, for the most part, with a grant from HUD. Rents charged to tenants are subsidized by HUD.

Housing Partners for Positive Living, Inc.

This corporation was established in November 1997 to provide a ten unit housing complex for mentally ill clients, but is not limited to persons who are HIV positive and substance abusers. This property was acquired with proceeds from a federally insured mortgage under Section 811 of the National Housing Act.

Counseling Resources Associates, Inc.

This corporation was established in 1986 and reactivated in 1999 to provide elderly case finding services for elderly in the South County area.